



MARYLAND DEPARTMENT OF NATURAL RESOURCES

Cost Recovery Summer Study

DNR Fisheries Service: Cost Recovery Summer Study

July 17, 2012



Cost Recovery Summer Study

- What does House Bill 1372 require:
 - Consideration of
 - the costs of managing and enforcing commercial fisheries;
 - the structure of the commercial license system;
 - accountability of licensees; and
 - setting commercial license revenue at a level that covers a fair and reasonable portion of the management and enforcement costs of the commercial fisheries.
 - Collaboration Tidal Fish and the Sport Fisheries Advisory Commission.



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Cost Recovery Summer Study

- What does House Bill 1372 require for this study:
 - Determine the allocation of the user fees for fisheries management of commercial or recreational fisheries based on revenues from those respective sectors.
 - Fair and reasonable allocation of the General Fund between the recreational and commercial fisheries.
 - Report on findings by October 1, 2012 and identify the actions needed to implement the plan by July 1, 2013.

Cost Recovery in Fisheries Management: Best Practices

- Australia and New Zealand were the first countries to fully implement cost recovery.
- Fisheries in these countries are sustainable and profitable.
- Management costs as a percentage of dockside value are low (around 9%).
- We have adopted their approach to cost recovery.

Best Practices: Who Pays for What?

- The user group that drives the need for a specific management service pays for it.
- Public goods, that is, services that benefit the broader community, are fully or partially funded by the taxpayer.
- *Rationale:* different sectors pay in proportion to the benefits they receive from each service.

The Benefits of Cost Recovery

- Establishes a link between what fisheries management is worth to the different user groups and what it costs.
- Creates incentives for cost effectiveness in the provision of fisheries management services.
- Shifts focus from short-term cost-cutting to a long-term view on how to best manage the fishery, to achieve the outcomes that government and stakeholders want.

The Methodology

- Step 1: identify user/non-user groups (Inland Recreational, Tidal Recreational, Commercial, Aquaculture, and Community, which includes seafood consumers).
- Step 2: allocate salary of each employee in Fisheries Service (FS) to each group based on the time he/she spends working for its benefit.
- Step 3: allocate each non-salary item in FS budget in proportion to how the different groups above benefit from the service that item supports.

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	0000	Analysis & Assessment	FY2013 (US\$)	Inland R	Tidal R	Commercial	Blue Crab	SB	Oyster	Other	Aquaculture	Community	
3		Salaries and Wages:	164,286	9,107	65,268	65,268	2,429	19,125	9,411	34,304	0	24,643	
4		Employee 1	84,286	5,464	24,589	24,589	0	4,918	4,918	14,754	0	9,643	
5		Salary	45,000	10.0%	45.0%	45.0%	0.0%	20.0%	20.0%	60.0%	0.0%	15.0%	
6		Overhead	19,286										
7		Employee 2	42,857	3,643	16,393	16,393	0	3,279	3,279	9,836	0	6,429	
8		Salary	30,000	10.0%	45.0%	45.0%	0.0%	20.0%	20.0%	60.0%	0.0%	15.0%	
9		Overhead	12,857										
10		Employee 3	57,143	0	24,286	24,286	2,429	10,929	1,214	9,714	0	8,571	
11		Salary	40,000	0.0%	50.0%	50.0%	10.0%	45.0%	5.0%	40.0%	0.0%	15.0%	
12		Overhead	17,143										
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The Methodology

- **Step 4:** allocate contributions to other units (NRP, Licensing, Office of the Secretary) among user/non-user groups.

NRP allocation of field operation time to different fisheries	
Non Tidal recreational:	24.1%
Tidal recreational:	49.6%
Commercial:	26.3%
<i>Crab:</i>	6.9%
<i>Finfish:</i>	11.9%
<i>Shellfish:</i>	7.5%

The Methodology

- Step 5: Identify current sources of funding corresponding to each group.
- Step 6: Determine the additional funds, if any, required for each user group to achieve cost recovery.



Cost Recovery Summer Study

Where are we in the process?

- Approved FY2013 Fisheries Service budget only became available last week (07/09/2012).
- FS is currently revising the previous allocation (i.e. FY2012) to incorporate budget cuts and the community non-user group, absent in the preliminary study.
- Results/conclusions expected in the coming month. Joint Commission Meeting early August.
- Consideration of process/meetings for this summer.